

DUKE ENERGY PROGRESS, LLC
DOCKET 2018-318-E
BATEMAN SECOND SUPPLEMENTAL EXHIBIT 3
FOR THE TEST PERIOD ENDED December 31, 2017
SOUTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

		Federal EDIT - Protected <u>SC Retail</u>	Federal EDIT - Unprotected, PP&E related <u>SC Retail</u>	Federal EDIT - Unprotected, non PP&E related <u>SC Retail</u>	Deferred Revenue, DERP Solar Rebate <u>SC Retail</u>	NC EDIT <u>SC Retail</u>	Total <u>SC Retail</u>
		(A)	(B)	(C)	(D)	(E)	(F)
1 Regulatory liability including gross up as of 12/31/2017	[1]	\$(164,980)	\$ (47,756)	\$ 5,043	\$ -	\$ (15,176)	(222,870)
1a Regulatory liability including gross up updated as of 12/31/2018	[1](a)	\$(152,438)	\$ (58,254)	\$ 867		(5,382)	(215,207)
2 Estimated transition of Protected to Unprotected Regulatory liability during 2018	[1]	\$ 5,640		\$ (5,640)			-
3 Deferred Revenue for Federal Tax Rate Change as of 12/31/2018	[2]				\$ (14,960)		(14,960)
4 DERP Deferral Balance for Solar Rebate as of 9/30/2018	[1]				\$ 6,000		6,000
5 Other changes in Regulatory Tax liability	[3]					\$ 4,242	4,242
6 Regulatory liability for federal tax change including gross up for Year 1 rider calculation (Sum of L1a to L5)		\$ (146,798)	\$ (58,254)	\$ (4,773)	\$ (8,960)	\$ (1,140)	(219,924)
7 Annual Amortization percentage		3.70%	5.00%	20.00%	33.33%	100.00%	6.02%
8 Annual amortization amount (L6 x L7)		(5,432)	(2,913)	(955)	(2,987)	(1,140)	(13,425)
9 Years of rider amortization		27.03	20	5	3	1	

[1] Excess deferred tax liability (EDIT) as of 12/31/2017 by jurisdiction

NC EDIT liability in the 0254037 and 0253600 accounts as of 12/31/2017 forecast as of June 2019.

DERP Solar Rebates are deferred to the 0182494 account

[1](a) Federal EDIT balances updated based on actual balances as of 12/31/2018, and forecast 2018 transition between categories based on Tax analysis of this updated ADIT

[2] Bateman Exhibit 3, Page 3, Line 3. Deferred revenues in the 0229010 account as of 12/31/2018.

[3] Bateman Exhibit 3, Page 4, Line 11, Updated for regulatory liability as of 12/31/2018

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	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
<u>Cost of Capital per Bateman Rebuttal Exhibit 1</u>			
Debt	47.00%	4.16%	1.47%
Equity	53.00%	10.50%	5.57%
			7.04%
Statutory Tax Rate SC-0104 - 2017 Tax Rate, Line 10			24.95%
Retention factor for SC license tax, PSC Utility Assessment Fee			99.56%

Annual Rider Calculation

Amortization - From Page 1, L9

Year	Line	Beginning Balance, Page 1, L7	Federal EDIT - Protected	Federal EDIT - Unprotected, PP&E related	Federal EDIT - Unprotected, non PP&E related	Deferred Revenue, DERP Solar Rebate	NC EDIT	Total Amortization (G) =(B)+(C)+(D)+ [E]+[F]	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) /2	EDIT Balance in Base Rates, Page 1, L1 (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	Rider Revenues (M) = (G) + (L)	Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee (N) = (M) / Retention Factor
Jun 19- May 20	1	(219,924)	(5,432)	(2,913)	(955)	(2,987)	(1,140)	(13,425)	(206,499)	(\$213,212)	(222,870)	\$9,658	\$680	(12,746)	(12,802)
Jun 20- May 21	2	(206,499)	(5,432)	(2,913)	(955)	(2,987)		(12,285)	(194,214)	(\$200,356)	(222,870)	\$22,513	\$1,585	(10,701)	(10,748) [1]
Jun 21- May 22	3	(194,214)	(5,432)	(2,913)	(955)	(2,987)		(12,285)	(181,928)	(\$188,071)	(222,870)	\$34,799	\$2,450	(9,836)	(9,879) [1]
Jun 22- May 23	4	(181,928)	(5,432)	(2,913)	(955)	(2,987)		(12,285)	(169,643)	(\$175,785)	(222,870)	\$47,084	\$3,315	(8,971)	(9,011) [1]
Jun 23- May 24	5	(169,643)	(5,432)	(2,913)	(955)	(2,987)		(12,285)	(157,357)	(\$163,500)	(222,870)	\$59,370	\$4,180	(8,106)	(8,142) [1]
												Rider Revenues incl. SC license Tax, PSC Utility	Current update	Initial Filing:	Incr. (decr.) with Update
6												Jun 19- May 20	(12,802)	(10,008)	(2,794)

[1] The rider amounts for years 2 through 5 are shown for illustrative purposes only. Actual rider amounts will be filed each year with updates discussed in my testimony by March 31 for Commission approval.

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(Dollars)

<u>Projected Deferred Revenue for Federal Tax Rate Change in account 0229010</u>		<u>SC Retail</u>
1	Deferrals booked as of 12/31/2018	\$ (14,959,840)
2	Forecast deferrals	\$ -
3	Deferred Revenue for Federal Tax Rate Change as of 12/31/2018 (L1 + L2)	<u>\$ (14,959,840)</u>

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NC rate change tax liability (NC EDIT)

		Total SC Retail	
1	Annual amortization approved in docket 2016-227-E	\$ (12,369)	[1]
2	Tax rate in docket 2016-227-E	38.25%	
3	Current tax rate	24.95%	
4	Annual amortization approved in Docket 2016-227-E adjusted for change in federal tax rate (L1 x (1- L2) / (1- L3))	(10,177)	
5	Additional months of amortization approved in Docket 2018-205-E (Jan 1, 2019 - May 31, 2019) assuming new rates effective June 1, 2019	5	
6	Amortization (Jan 1, 2019- May 31, 2019) (L4/12 x L5)	\$ (4,240)	
7	NC deferred tax liability as of 12/31/2018, includes amounts not included in last rate case	\$ (5,380)	[2]
8	Amortization from Jan 1, 2019- May 31, 2019 (L5)	\$ (4,240)	
9	NC deferred tax liability as of 6/1/2019 (L7 - L8)	\$ (1,140)	
10	Regulatory liability as of 12/31/2018	\$ (5,380)	
11	Change in regulatory tax liability (L9 - L10)	\$ 4,240	

[1] Settlement Agreement, Attachment A, Page 4, Line 27 in Docket 2016-227-E.

[2] Per Tax Department as of December 2018